



Louisville Gas and Electric Company
220 West Main Street (40202)
P.O. Box 32010
Louisville, Kentucky 40232

February 14, 2006

Elizabeth O' Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

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**PUBLIC SERVICE
COMMISSION**

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00433, Louisville Gas and Electric Company ("LG&E") filed an experimental electric tariff P.S.C. No. 62 for the Small Time of Day Service ("STOD"). That electric tariff provides for the calculation of a monthly charge per KWH to recover programming costs associated with modifying the customer billing system, not to exceed \$29,050 per year, plus any lost revenues associated with STOD. This monthly charge is to be applied to customers taking service under the Large Commercial Service ("LC") for LG&E.

Attached is Exhibit 1 which presents the calculation of the factor to be applied during the period of March 2006 through October 2006. The eight month application period is used to allow for the months remaining in the second program year. As noted in parallel filing for Kentucky Utilities Company's first year factor by my letter dated October 22, 2004, a balancing adjustment is being made for the difference in the programming costs to be recovered in the first year and the actual recovery for the first year. A similar balancing adjustment will be made in the third year factor to reflect any differences for the second year's recovery. This balancing adjustment is being made such that LG&E neither overcharges nor under collects the STOD program costs.

Attached as Exhibit 2 is a calculation of the loss revenue in support of Exhibit 1.

LG&E will begin applying the recovery factor of \$0.000220 per KWH effective with the first billing cycle of the March 2006. Please contact me at (502) 627-3324 or Don Harris at (502) 627-2021 if you have any questions about this information.

Sincerely,

Robert Conroy
Manager, Rates

Program Cost Recovery Factor Calculation

	LG&E
(1) Program Cost Recovery (2nd Program Year)	\$29,050
(2) Lost Revenue (1st Program Year) (See Exhibit 2)	\$329,355
<i>Balancing Adjustment:</i>	
Program Cost Recovery (1st Program Year)	\$29,050
Less: Actual Recovery (1st Program Year)	\$26,187
(3) Total Balancing Adjustment	\$2,863
(4) Total Program Cost Recovery (2nd Program Year) [(1)+(2)+(3)]	\$361,268
(5) LPKWH - Projected Mar '06 thru Oct '06	1,639,423,427
PCRF (dollars per KWH) [(4)/(5)]	0.000220

Louisville Gas Electric Company

EXHIBIT 2

	Nov '04	Dec '04	Jan '05	Feb '05	Mar '05	Apr '05	May '05	Jun '05	Jul '05	Aug '05	Sep '05	Oct '05
Fuel Adjustment Clause	(\$0.00004)	(\$0.00031)	\$0.00083	\$0.00046	(\$0.00028)	(\$0.00115)	\$0.00003	\$0.00103	(\$0.00008)	\$0.00235	\$0.00369	\$0.00390
Demand Side Management	\$0.00018	\$0.00018	\$0.00020	\$0.00020	\$0.00020	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018
Environmental Surcharge	0.710%	0.760%	0.900%	1.010%	0.530%	0.670%	0.870%	1.470%	0.360%	1.800%	2.400%	0.460%
Merger Surcredit	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.052%	3.262%	2.936%	2.936%
Earning Sharing Mechanism	2.360%	2.360%	2.360%	2.360%	2.360%	0.000%	-2.758%	0.000%	0.000%	0.000%	0.000%	0.000%
Value Delivery Surcredit	0.900%	0.900%	1.040%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%
Billing Determinants												
Customers	34	35	35	35	35	34	36	35	35	35	35	35
Demand-Secondary	15,700.0	14,889.0	14,580.0	13,816.0	13,589.0	15,166.0	17,356.0	18,569.0	19,150.0	19,819.0	19,267.0	18,162.0
Demand-Primary	960.0	828.0	816.0	804.0	804.0	912.0	984.0	1,092.0	1,176.0	1,152.0	1,080.0	1,092.0
Energy												
On-Peak	3,769,640	4,090,860	4,073,800	3,564,200	3,633,020	3,814,620	3,840,320	4,083,820	4,136,140	4,133,760	3,996,460	3,931,900
Off-Peak	4,611,260	5,270,880	5,002,680	4,467,280	4,810,540	4,612,100	4,656,160	6,001,880	7,400,380	6,957,740	6,785,520	5,681,060
Small Time-of-Day Rate												
Rate												
Customer	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
Demand - Secondary												
Winter	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Summer	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
- Primary												
Winter	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Summer	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Energy												
On-Peak	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.03004	\$0.03004	\$0.03004	\$0.03004
Off-Peak	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01438	\$0.01438	\$0.01438	\$0.01438
Billing												
Customer	\$2,720.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,720.00	\$2,880.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00
Demand	\$184,037.20	\$173,746.02	\$170,189.52	\$161,564.32	\$159,035.54	\$177,631.48	\$202,713.52	\$277,133.24	\$286,418.32	\$295,622.44	\$286,897.00	\$212,720.52
Energy	\$173,850.89	\$192,318.71	\$188,143.49	\$165,846.65	\$172,569.87	\$175,183.01	\$176,541.19	\$202,126.72	\$230,667.11	\$224,230.45	\$217,629.44	\$199,807.92
Fuel Clause	(\$335.24)	(\$2,902.14)	\$7,533.48	\$3,694.48	(\$2,364.20)	(\$9,690.73)	\$254.89	\$10,388.27	(\$922.92)	\$26,065.03	\$39,785.51	\$37,490.54
Demand-Side Management	\$1,508.56	\$1,685.11	\$1,815.30	\$1,606.30	\$1,688.71	\$1,516.81	\$1,529.37	\$1,815.43	\$2,076.57	\$1,996.47	\$1,940.76	\$1,730.33
Environmental Surcharge	\$2,568.65	\$2,794.12	\$3,334.34	\$3,388.67	\$1,768.77	\$2,327.32	\$3,340.10	\$7,265.68	\$1,875.74	\$9,912.86	\$13,177.27	\$2,090.93
Merger Surcredit	(\$11,885.10)	(\$12,083.81)	(\$12,193.88)	(\$11,054.93)	(\$10,943.97)	(\$11,406.82)	(\$12,632.39)	(\$16,359.89)	(\$15,959.36)	(\$16,460.02)	(\$16,507.07)	(\$13,406.96)
Earning Sharing	\$8,318.17	\$8,457.25	\$8,534.29	\$7,737.15	\$7,659.49	\$0.00	(\$10,332.20)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$3,247.05)	(\$3,301.34)	(\$3,849.63)	(\$3,322.27)	(\$3,288.92)	(\$3,348.98)	(\$3,606.52)	(\$4,803.18)	(\$5,018.86)	(\$5,387.26)	(\$5,402.66)	(\$4,388.01)
Total Regenerated Billing	\$357,536.08	\$363,513.92	\$366,306.91	\$332,260.37	\$328,925.29	\$334,932.09	\$360,687.96	\$480,366.27	\$501,936.60	\$538,779.97	\$540,320.25	\$438,845.27
Actual Billing	\$362,647	\$369,717	\$366,307	\$332,260	\$328,925	\$334,932	\$360,656	\$479,956	\$501,937	\$538,780	\$540,320	\$438,878
Ratio of Actual to Regenerated	1.01429	1.01706	1.00000	1.00000	1.00000	1.00000	0.99991	0.99915	1.00000	1.00000	1.00000	1.00007
Large Commercial Rate												
Rate												
Customer	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Demand - Secondary												
Winter	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Summer	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
- Primary												
Winter	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Summer	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Energy	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349
Billing												
Customer	\$2,210.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,210.00	\$2,340.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00
Demand	\$184,037.20	\$173,746.02	\$170,189.52	\$161,564.32	\$159,035.54	\$177,631.48	\$202,713.52	\$277,133.24	\$286,418.32	\$295,622.44	\$286,897.00	\$212,720.52
Energy	\$196,867.34	\$219,907.27	\$213,206.52	\$188,659.47	\$198,339.22	\$197,943.65	\$199,582.32	\$236,913.09	\$270,992.85	\$260,539.34	\$253,268.71	\$225,808.43
Fuel Clause	(\$335.24)	(\$2,902.14)	\$7,533.48	\$3,694.48	(\$2,364.20)	(\$9,690.73)	\$254.89	\$10,388.27	(\$922.92)	\$26,065.03	\$39,785.51	\$37,490.54
Demand-Side Management	\$1,508.56	\$1,685.11	\$1,815.30	\$1,606.30	\$1,688.71	\$1,516.81	\$1,529.37	\$1,815.43	\$2,076.57	\$1,996.47	\$1,940.76	\$1,730.33
Environmental Surcharge	\$2,728.44	\$2,999.81	\$3,555.18	\$3,613.78	\$1,902.56	\$2,476.40	\$3,535.85	\$7,769.32	\$2,019.02	\$10,556.97	\$14,020.01	\$2,208.11
Merger Surcredit	(\$12,624.47)	(\$12,973.34)	(\$13,001.52)	(\$11,789.30)	(\$11,771.80)	(\$12,137.50)	(\$13,372.76)	(\$17,493.92)	(\$17,178.45)	(\$17,529.54)	(\$17,562.77)	(\$14,158.36)
Earning Sharing	\$8,835.65	\$9,079.81	\$9,099.53	\$8,251.13	\$8,238.88	\$0.00	(\$10,937.76)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$3,449.05)	(\$3,544.36)	(\$4,104.60)	(\$3,542.96)	(\$3,537.70)	(\$3,563.51)	(\$3,817.89)	(\$5,136.12)	(\$5,402.24)	(\$5,737.30)	(\$5,748.18)	(\$4,633.94)
Total Regenerated Billing	\$379,778.43	\$390,273.18	\$390,568.41	\$354,332.22	\$353,806.21	\$356,386.60	\$381,827.54	\$513,664.31	\$540,278.15	\$573,788.41	\$574,876.04	\$463,440.63
Adjusted for Ratio to Actual	\$385,207.30	\$396,932.89	\$390,568.51	\$354,331.83	\$353,805.90	\$356,386.50	\$381,793.71	\$513,225.60	\$540,278.58	\$573,788.44	\$574,875.77	\$463,475.19
Lost Revenue by Month	(\$22,560.30)	(\$27,215.89)	(\$24,261.51)	(\$22,071.83)	(\$24,880.90)	(\$21,454.50)	(\$21,137.71)	(\$33,269.60)	(\$38,341.58)	(\$35,008.44)	(\$34,555.77)	(\$24,597.19)
Lost Revenue Cumulative	(\$22,560.30)	(\$49,776.19)	(\$74,037.69)	(\$96,109.52)	(\$120,990.42)	(\$142,444.92)	(\$163,582.63)	(\$196,852.23)	(\$235,193.81)	(\$270,202.25)	(\$304,758.02)	(\$329,355.22)